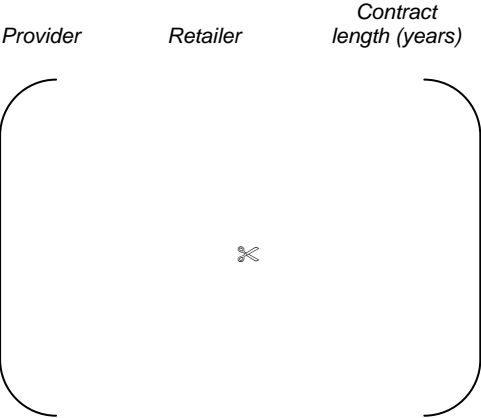


Length of contracts

- 1. Average contract length is over five years.
- 2. Only three providers—[redacted]—have contracts with retailers for seven years or more.
- 3. The average length is comparable with that of outsourcing contracts which, according to research done by Gartner Inc on IT outsourcing contracts for the past 14 years, have an average length of six years.

Length of IT outsourcing contracts



Source: CC analysis of providers' and retailers' data.

FIGURE 1

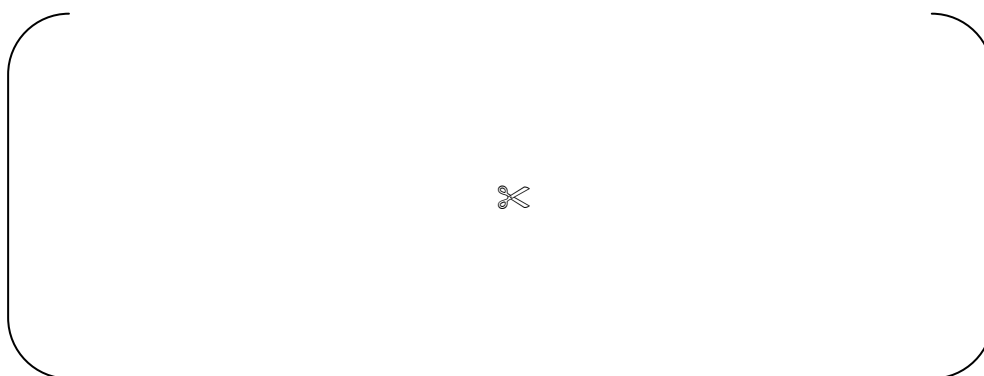
Distribution of contract length



Source: CC analysis of providers' and retailers' data.

FIGURE 2

Distribution of contract length by provider



Source: CC analysis of providers' and retailers' data.

Additional considerations

4. There is evidence that some of the terms of the contract can be and are renegotiated during the life of the contract (eg length of exclusivity arrangements between [✂] and [✂] has been renegotiated and shortened).
5. Some of the long-term contracts (ie ten years and above) have been negotiated in recent years when more competitors have been present in the market.
6. Longer contracts seem to be in place with larger retailers that would arguably be more sophisticated 'buyers' and have the power to negotiate shorter terms.
7. These contracts are usually also more sophisticated in terms of: the financial mechanism by which profit and costs are shared between providers and retailers, the programme's management structure, and details of the provider's and the retailer's rights and obligations for respectively selling and buying the portfolio of receivables or for transferring the operations of the programme to a new provider.